

CIVIL SOCIETY OBSERVATORY OF ILLICIT ECONOMIES IN EASTERN AND SOUTHERN AFRICA



RISK BULLETIN

SUMMARY HIGHLIGHTS

1. **A new pricing survey into Tanzania's heroin market shows that heroin use has spread far inland from the coastal 'southern route', and the quality of heroin for sale reveals surprising inland supply routes.**
3. **In Mozambique, the assassination of an election observer has thrown into relief how assassinations are deployed to silence dissent and reform.**

The so-called southern route for Afghan heroin trafficking is understood as having generated a substance abuse crisis along the East African coast. Results from a new, innovative regional drug-pricing survey, however, are shifting our understanding of domestic heroin markets and routes. Initial results from surveys of heroin markets in Tanzania suggest widespread nationwide supply routes, while trends in quality of supply and type of retail packaging suggest several overlapping land routes. These results indicate a domestic heroin market that has few barriers to entry for aspiring traffickers and dealers.

2. **Taxi assassinations are on the rise in South Africa, as rivalries between minibus taxi associations fuel violence.**

South Africa's minibus taxi industry has a long association with targeted killings. Analysis from the Global Initiative's Assassination Witness programme shows that taxi-related hits have reached unprecedented levels since 2016 and are the most common type of criminal assassination. In Gauteng, inter-agency rivalry and access to firearms have sparked a deadly trend that authorities are struggling to contain.

4. **Kenya's ill-regulated mass transit industry provides a convenient way of 'cleaning' dirty money – and it appears various corrupt interests would like to keep it that way.**

A recent narcotics case in Nairobi has exposed the links between Kenya's mass transit sector and narcotics trafficking. Many have long suspected that the country's minibus transport ('*matatu*') industry is an avenue for money laundering. We analyze the channels through which illicit funds are moved in the *matatu* industry, and how this industry is vulnerable to exploitation by a various groups, including the police, political figures and gangs.



ABOUT THIS ISSUE

The November 2019 Risk Bulletin of Illicit Economies in Eastern and Southern Africa presents four reports from the region, which, taken together, show how money laundering and drugs markets can infiltrate legitimate industries (in this case, taxi industries in Kenya and South Africa); demonstrate the corrosive effects of assassinations and targeted violence; and track new trends in regional drug markets.

In Tanzania, results from a new drug price survey show how heroin markets now extend from the coastal areas where they first took root. Across the region, drug profits are one of many illicit flows that criminal entrepreneurs seek to launder through the grey economy, like the private mass transit industry that has arisen in the region's towns. Though Johannesburg and Nairobi are almost 4 000 kilometres apart, two reports in this issue show that there are striking

parallels in how a vital service – urban commuter transport – has become deeply enmeshed in money laundering, extortion and, in the South African case especially, violent competition. The history of how these transport systems have developed shapes these criminal dynamics. Both cases raise challenging questions about how the state can regulate the sector to rein in criminal practices that put drivers, commuters and the economies of both cities at risk – especially as state actors themselves play a role in protecting criminal elements in these industries.

Our story from Mozambique sheds light on the recent tragic assassination of an election observer and exposes a facet of assassinations that contrasts with their role in the South African taxi industry, namely how targeted killing is deployed to suppress political opposition and silence civil society.

1. A new pricing survey into Tanzania's heroin market shows that heroin use has spread far inland from the coastal 'southern route', and the quality of heroin for sale reveals surprising inland supply routes.

In recent years, quantities of heroin smuggled along the East and Southern African coast have increased considerably. While most of the heroin shipped from Afghanistan along this so-called 'southern route' is destined for consumer markets in Europe, a significant local heroin trade and consumer market have developed, transforming what was initially understood to be a coastal transit trade into an integrated regional drug economy.¹ Although it is difficult to quantify with certainty how the East African heroin market has expanded, it is clear that it now extends beyond the seaboard region. This is evident from a number of sources: the increased rates of seizures reported at the national level; reporting from regional law enforcement and civil society working on reducing the harms associated with drug use; growing reports of increasing heroin routes across neighbouring states, such as Botswana,² Swaziland,³ the Democratic Republic of the Congo, Malawi and Zambia,⁴ and the South African interior provinces;⁵ and, more broadly, an increase in reported injecting drug use across sub-Saharan Africa.

WHY COLLECT DRUG PRICES?

However, there is little granular information available on the spectrum of drug markets across the East and Southern African region, and particularly on drug prices

and forms of sale outside of urban centres. To fill this data gap, the Global Initiative Against Transnational Organized Crime (GI-TOC) is carrying out surveys on regional drug use markets and drug prices, so as to track the types of drugs consumed, methods of consumption, the consumer base for local markets and illicit drug prices. Preliminary results of these surveys from Tanzania shed light on the relationships between heroin supply, quality and price, and may give indications of which regions in Tanzania's national heroin economy are linked through supply chains, and which regions diverge. These initial results are illustrated in the map (Figure 1).

Data was collected in partnership with a local civil-society organization affiliated with people who use drugs. Domestic heroin retail price data was gathered through field interviews conducted with heroin users and market dealers active in 15 drug market sites across the country. These locations include urban, peri-urban and rural geographies, and represent the majority of the administrative regions of the country. Owing to significant security concerns, it was not possible to collect sufficient data in locations bordering with Mozambique, including the regions of Mtwara, Ruvuma and Lindi. Metrics addressing retail price

range (minimum to maximum) in local currency, user perception of product quality, and local market demand and supply characteristics were gathered for each site. A photograph was taken of representative heroin retail samples from most locations for reference, and for representation of retail packaging characteristics. The sample photos and price points illustrated in the map are representative of the most common retail sample available in that location and the mean retail price point for that sample. While data continues to be reviewed by the GI-TOC, some initial findings of the field research exercise can be drawn out.

Our initial results show that there is no place in Tanzania where heroin is not available. The reported domestic retail price of heroin in Tanzania ranges between TZS2 000 and 8 000 (equivalent to €0.79–3.15) per dose, with a mean price of TZS4 000 (€1.57). The average number of doses taken by a heroin user in a day fluctuates significantly across the country, from six to 20 or more doses in urban and peri-urban areas, while higher amounts were recorded in rural areas. Situational factors, such as price, perceived dose purity and method of consumption (heavier users who inject heroin – as opposed to smoking or inhaling – tend to consume more), shape the daily amount of heroin consumed.

The price of heroin does not appear to be correlated closely with its perceived quality. Pricing seems more closely related to supply-related factors, such as the consistency of its availability in particular local markets. For example, relatively high prices are being paid for heroin of very poor quality in places such as Mwanza and Kigoma, with dealers and users reporting that the heroin available in such distant rural locations is cut down repeatedly with a variety of adulterants that muddy its appearance, mute its effect and, in some cases, give its liquid form a glutinous consistency, which makes it difficult to inject. Overall, injection of heroin is an increasingly common method of use in rural areas, following a trend seen in urban areas for some years.

On quality, our initial results seem to show that the further away the heroin is acquired from a large urban centre, such as Dodoma or Dar es Salaam, the lower its perceived quality. Both these cities are reported to be geographic cornerstones for the distribution of heroin throughout the country, where mid- and low-level domestic trafficking groups receive heroin from

international supply networks before transporting it to local markets for sale.

The price of heroin in more remote areas is reportedly determined, in part, by dealers passing on the costs of transport and supply to users. There appear to be no secure, organized supply pipelines in such areas. Dealers in remote areas rely on local entrepreneurs with links to the illegal market, who arrange heroin shipments from primary suppliers either in Dodoma or Dar es Salaam. Shipment is arranged either through people carrying the drug on public transport or through small caches hidden in commercial vehicles. The heroin that is procured for these remote locations is already cut at source. In some cases, the heroin supplied from Dodoma or Dar es Salaam is prepackaged in small single dose packets for retail; in others, it is purchased in larger wholesale quantities to be cut again by rural suppliers before being distributed locally.

The retail packaging of heroin provides interesting information about forms of consumption and about heroin supply routes. The majority of retail doses are sold as a 'pinch', whereby the adulterated heroin is packaged in a narrow polypropylene tube that is heat-sealed at each end (as seen in the images of doses acquired in Dar es Salaam, Morogoro and Singida – see Figure 1). A major difference in appearance between pinches in different locations is in the colour of the contents. Darker colours tend to indicate higher levels of adulteration. The quantity and quality of heroin in a pinch vary according to location. For example, in some places, a pinch may be slightly larger in size and appear to contain more product, but, according to users, this is because the quality of the pinch material is lower as a result of repeated cutting, and dealers increase the weight as a means of accounting for a decrease in purity. This presents a challenge in trying to determine the volumes of local heroin supply and demand, as it is not possible to determine a universal national measure for the number of pinches per gram.

Our sample results from Dodoma, Mwanza and Mbeya showed a strong similarity in retail packaging, which suggests that these three markets are closely linked through a single supply chain. In some locations, however, there is a distinct difference in packaging of retail heroin doses. For example, on the Zanzibari island of Unguja, heroin is distributed in distinct, curly-tailed foil packaging, a marked difference from most of the mainland markets.

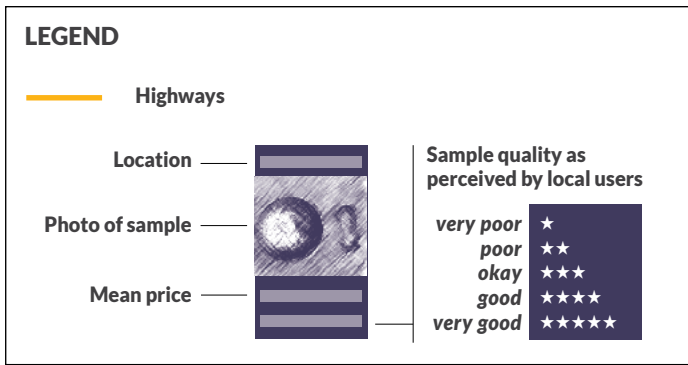
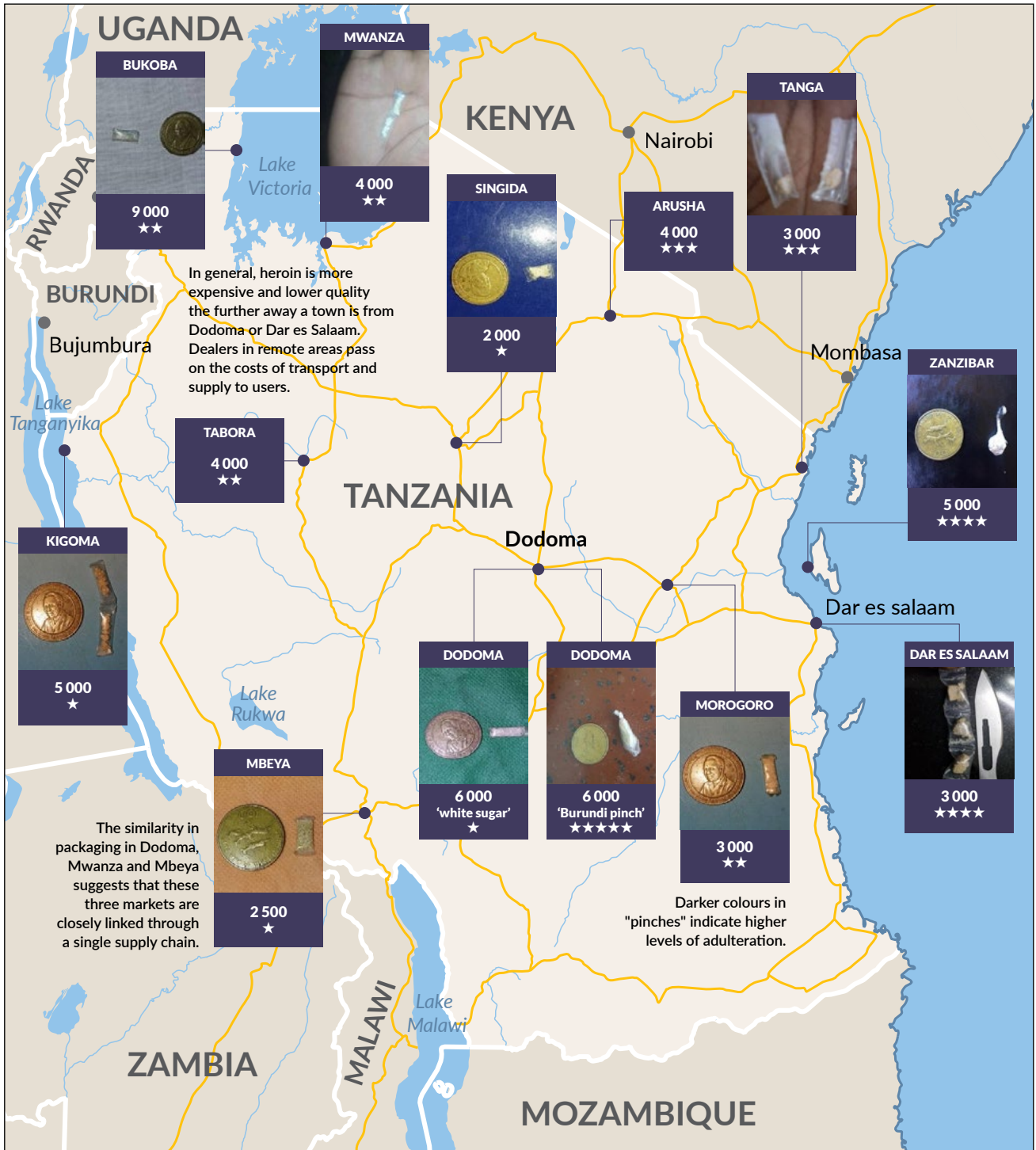


FIGURE 1 How a countrywide heroin market is supplied by several transnational routes; drug prices and perceived quality in Tanzania

In Dodoma, there is a second type of retail dose available known as a 'Burundi pinch', which in its packaging is different from the regular pinches – it is sold in a small polyethylene 'twister' (as pictured) and is reportedly of much higher quality than the other more regular pinches. This has spawned copycat production of pinches in Dodoma, which are sold as 'Burundi pinches', but which contain mostly white powdered adulterant, and little heroin by volume. Such apparent deviations in packaging most likely signify supply chains that are outside of, or tangential to, the existing domestic network. Interviews with dealers appear to support this conclusion as, in terms of the Dodoma market, a hitherto undefined supply channel entering Tanzania overland from Burundi, with origins in the overland trafficking of heroin from the major airports of Tanzania's eastern African neighbours, was described by several informants.

FEW DISCRETE, FIXED FLOWS

These results provide new and important information about how local drug markets function. But they also

confirm that the picture is substantially more complicated than we previously believed. The survey data from Tanzania, as well from ongoing interviews across the region, suggest that when it comes to local markets, there are few fixed flows of heroin that can be identified and blocked. Rather than following distinct streams, the supply of heroin is more akin to a shallow flood. The decades of impunity that traffickers have enjoyed mean that there are now multiple entry points into the regional market, and many competing or concurrent channels of supply, interwoven with the physical landscapes. The heroin is distributed with different levels of purity, volume and regularity, and the market is run by groups and networks of various sizes. The fact that heroin is supplied with significantly different levels of purity to the same retail consumers, and at the same price, is a symptom of a domestic heroin market with few barriers to entry for aspiring traffickers and dealers.

2. Taxi assassinations are on the rise in South Africa, as inter-association rivalries fuel violence.

On 15 May 2018, Johnson Ndaka, chairman of the Kempton Park Taxi Association (KETA), was assassinated in his driveway. He was shot 29 times as he was returning home from lunch with his wife and daughter, both of whom witnessed his gruesome killing. His wife was also shot, but survived after pretending to be dead.⁶ Three days previously, another KETA member, Jacob Thomas, was also killed by a hail of bullets while in his car. In all, six members of this taxi association were assassinated during the first half of 2018 alone, bringing the total to more than 50 since 2007.⁷ The Assassination Witness database shows that there were 127 taxi-related hits across South Africa in 2018, 48 of which occurred in Gauteng.

The mass taxi transport industry in South Africa has its origins as a grey market service providing transport and economic opportunities to black South Africans during the apartheid regime.⁸ Since the country's democratic transition in the 1990s, the industry has been regulated and it remains the core means of transport for the country's workforce: 69% of South African households commute by taxi. The industry also employs hundreds of thousands.⁹ However, since it has its origins as a grey market service, regulation has never

been entirely effective at bringing the sector under the rule of law. The industry has grown without enforced state-led constraints and has long been notorious for its violence.¹⁰ Over the years, however, the nature of this violence has changed from involving predominantly shoot-outs at taxi ranks to more targeted violence in the form of taxi 'hits', primarily motivated by competition over taxi routes or leadership battles within taxi associations. Assassinations – whether contracted for political, social or economic gain – have an extremely detrimental impact on South Africa's ongoing democratic project and often-fragile institutions, creating fear, uncertainty and instability.

The homicide statistics kept by the South African Police Service are not disaggregated by motive of the killing or other characteristics, making it difficult to measure the scale and scope of targeted violence. However, the GI-TOC's ongoing assassination monitoring project, Assassination Witness,¹¹ is able to shed some light on the trends and regional dynamics in taxi-related assassinations, and contextualize the violence in this industry along with other types of targeted assassinations in South Africa.

Assassination Witness has compiled a database of hits and attempted hits in South Africa over the period 2000 to 2018 (see Figure 2). The sample draws on the resources of a database, Sabinet, which provides access to local, regional and national news content published in print media, supplemented with searches of online news sources.¹² All articles are reviewed, and assassinations recorded with details such as the date, location, information about the victim and the category

of assassination. (Four categories were used to subdivide recorded hits: personal, such as cases involving infidelity or attempts to obtain life insurance payouts; political, such as those targeting individuals holding public office; organized crime, where violence is used for economic outcomes, including within criminal markets; and taxi-related hits.) The taxi industry merited its own category because of the sheer prevalence of targeted killings in this business.¹³

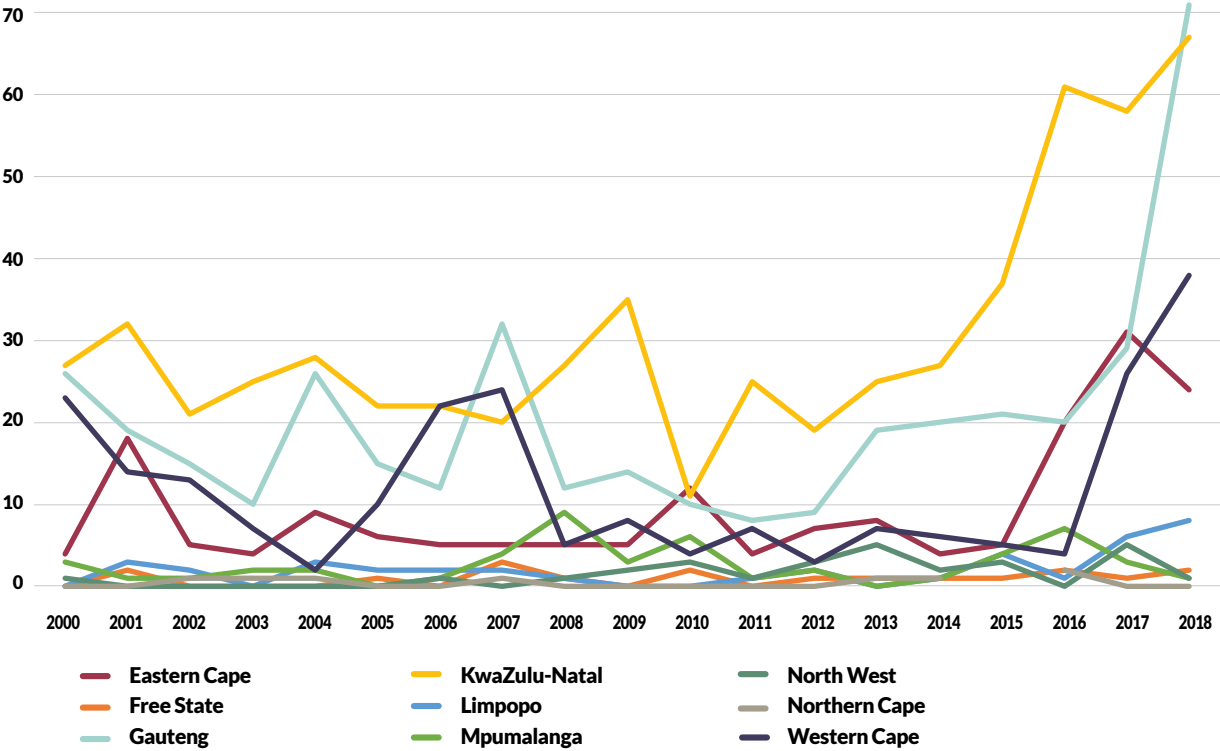


FIGURE 2 Taxi hits by province, South Africa (2000–2018)

Taxi-related incidents are by far the largest contributor to assassination trends in South Africa during the period under review (see Figure 3). Although there have been some spikes in taxi hits over the data period (in 2001 and 2007), since 2016 they have reached unprecedented levels and have continued to grow sharply, reaching a high of 127 hits in 2018.

As the heat maps provided show (Figure 4), this most recent rise in taxi-related hits has been concentrated in four provinces: KwaZulu-Natal, Gauteng, Eastern Cape and Western Cape (by order of severity). These provinces also have the highest overall recordings of assassinations across all categories.

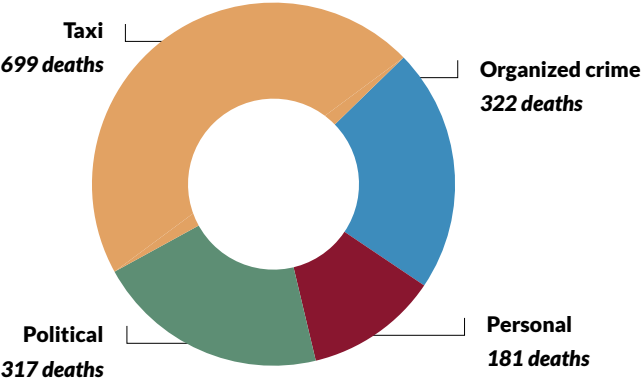


FIGURE 3 Breakdown of assassinations by type, 2000–2018

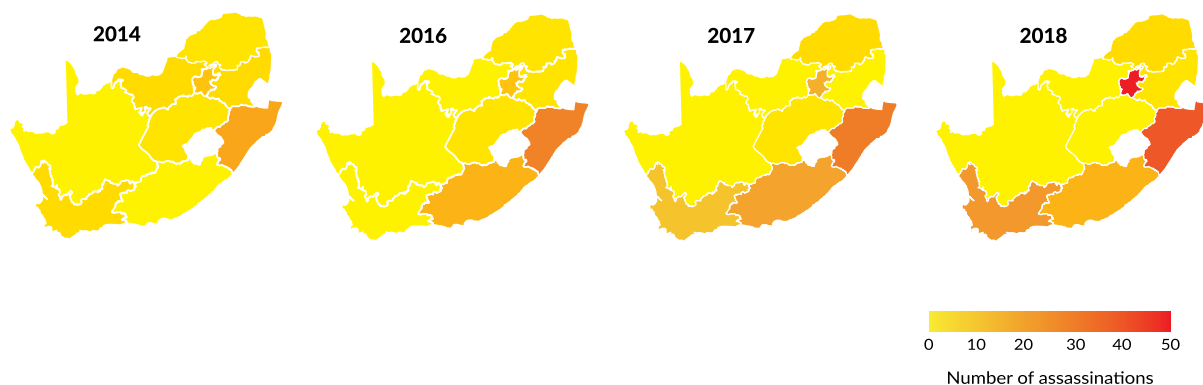


FIGURE 4 *Taxi-related assassinations by province*

There are distinct provincial characteristics: taxi assassinations in KwaZulu-Natal remain consistently high throughout the data period; by contrast, the Eastern Cape experienced a drastic increase from 2015 to 2017 and then declined again in 2018; Gauteng has seen an increase since 2012 but the number of hits remained below 16 until 2018, when it reached a record high of 48, the highest count of any category in any province in our dataset. However, increases in taxi-related assassinations occurred across almost all provinces, suggesting that some taxi incidents occurring in one province may be linked to disputes that began in other provinces. This is consistent with disputes over long-distance taxi routes.

We can look to Gauteng as a specific case for contextualizing this trend. The drastic increase in violence in 2018 can be connected to route disputes between rival taxi associations – including KETA and its competitors. There have also been increased attempts by government to find new ways to regulate and transform the transport industry. In 2010, the City of Johannesburg introduced a new bus rapid transport system and tried to incentivize taxi operators to trade taxi licences and routes for shares in the bus companies. This was met with multiple complications, including increased competition on routes and even more violence.¹⁴ Adding to the complexity of the situation, at the same time that taxi operators were entering the bus industry, key leaders of Johannesburg gangs also started to become increasingly involved in the taxi industry, primarily to transport drugs and launder money, a modus operandi that is common throughout the country.

Interviews conducted in October 2019 reveal that taxi violence was particularly bad in Soweto, Alexandra, Midrand and Johannesburg city centre. The disputes

have been exacerbated by an increase in access to firearms. According to interviewees, small private security companies that had lost contracts in recent years and had gone bankrupt, or were on the verge of bankruptcy, have started to sell their firearms to the taxi industry, thereby fuelling the taxi wars.¹⁵

In response to spates of taxi violence, the MEC (Member of the Executive Council) of Roads and Transport for Gauteng closed several routes and taxi ranks in 2018 and 2019. However, according to our database (which has continued to document hits throughout 2019), these closures have not had the intended impact of reducing violence. Although our preliminary findings for January to June 2019 do show a slight decline, preliminary mid-year findings are generally lower than half of the final year count. Therefore, the preliminary decrease needs to be read with caution.

By contrast, similar action taken in March 2018 by Police Minister Bheki Cele to close key disputed routes and taxi ranks in Mthatha,¹⁶ in the Eastern Cape, has been lauded as creating peace between rival taxi associations.¹⁷ This came after several peace agreements facilitated by the provincial government failed to curb killings of passengers, drivers and taxi owners.¹⁸ On 6 April 2019, MEC Weziwe Tikana said there had been no attacks on members of the taxi industry since the route closures. Our database, by comparison, shows that although the route closure did not end taxi hits in the area, it did result in a significant decrease: only nine hits were recorded for the province between April and December 2018. Cele reopened two taxi ranks in April 2019 after the warring associations signed a peace agreement.¹⁹

In response to continued violence in Gauteng, the province's premier, David Makhura, established the Commission of Inquiry into Minibus Taxi-Type Service Violence, Fatalities and Instability in Gauteng, in September 2019.²⁰ The commission is set to investigate the underlying causes and the people behind the ongoing killings in the industry. Makhura explained that he was concerned the violence in the taxi business would worsen, despite efforts by law enforcement and government.²¹

3. In Mozambique, the assassination of an election observer has thrown into relief how assassinations are deployed to silence dissent and reform.

Anastácio Matavel was an activist and NGO leader who was heading election observations in Xai-Xai, capital of Mozambique's Gaza province. He was assassinated on 7 October 2019 by members of the national police force in the run-up to the October 15 national elections, which handed President Filipe Nyusi and Frelimo a landslide victory, but which were rejected by the opposition as a 'mega fraud' marred by irregularities.²⁴

Civil-society groups in Mozambique have condemned the ever-more restricted space for free speech amid the growing threat of political violence in contemporary Mozambique.²⁵ Meanwhile, an EU observer mission referred to Matavel's assassination as a key event 'exacerbating an already existing climate of fear'.²⁶ The main opposition party, Renamo, has called for the dismissal of the interior minister, Basilio Monteiro, under whose portfolio control of the police force falls.²⁷

Matavel's killers were members of a so-called government 'death squad', drawn from the police force's Special Operations Group and Rapid Intervention Unit, two elite sections of the Mozambican police. Their identities came to light after the getaway car used in the shooting crashed, killing two of the assassins, Nobrega Justino Chaúque and Martins Francisco William. Two more, Edson Silica (son of a member of the Gaza police force and the only civilian member of the group) and Euclídio Mapulasse, were arrested following the accident. The fifth, Agabito Matavele, is still at large.

Two weeks previously, the same 'death squad' had mistakenly assassinated Carlos Ubisse, a police officer and former police commander in Chokwe and Chibuto districts, believing him to be Matavel. The two men drove similar cars, looked similar in appearance and were

The impact of these assassinations is far-reaching and their steady increase is worrying. Targeted killings within South Africa's taxi industry have been a major stimulus for violence elsewhere,²² and have been connected to violence in other parts of the criminal underworld.²³ As the contrasts between Gauteng and the Eastern Cape suggest, although the rise may be a widespread trend, it is subject to particular, localized dynamics.

neighbours in Chongoene village, near Xai-Xai. Ubisse was kidnapped in a neighbourhood of Xai-Xai and was tortured to death in Chibuto district.

The same car was used in the assassinations of both Ubisse and Matavel.²⁸ Investigations have revealed that the car belonged to the mayor of Chibuto, Henrique Albino Machava, a senior member of Frelimo and cousin of the former secretary general of Frelimo, Eliseu Machava. Henrique Machava has stated publicly that by the time of the killing, he had sold the car to Ricardo Manganhe, a teacher who leads the education sector in the Municipal Council of Chibuto and has close links to Machava. Machava said the car was still in his name only because the buyer had not yet completed the payments.²⁹ Manganhe has since stated that one of the assassins borrowed the car from him under the pretext of a family emergency.³⁰

The investigations undertaken by members of the Eastern and Southern Africa Observatory network uncovered that the assassination of Matavel was ordered on 19 September by figures linked to the Provincial Police Command of the Republic of Mozambique, namely Tudelo Girrugo and Alfredo Macuacua, the commanders of Special Operations Group and Rapid Intervention Unit, respectively, and a high-ranking state official in Gaza.³¹ Both Girrugo and Macuacua have since been arrested.³² The provincial prosecutor has identified other police officers involved in these assassinations, some of whom are linked to the armed forces.

Observers of Mozambique's political landscape argue that such 'death squads' are nothing new,³³ and that Matavel's murder is merely the latest in a pattern of similar killings that have intensified in recent years.

This latest incident is unique, in that – thanks to the car accident following the attack – the killers have been identified as police officers and the role of high-level commanders in ordering assassinations is coming to light.

A PATTERN OF TARGETED KILLINGS

On 23 May 2016, around 8 a.m., José Jaime Macuane, a prominent professor of political science at Eduardo Mondlane University, was arriving at his office in Maputo. Unknown individuals blocked his car, informed him that they were police and forced him to enter their car. A few minutes later, Macuane was found in the Marracuene district on the Maputo ring road. He had been shot and brutalized, was bleeding and had a broken leg. His attackers told him that they were aiming to disable him. The individuals remain unknown; the police state that ‘the incident is under investigation’. As a political scientist, Macuane was a commentator on a Mozambican Sunday-evening chat show, *Pontos de Vista* (‘Points of View’), broadcast on STV television, one of the main independent news channels in Mozambique.

On 8 October the same year, Jeremias Pondeca, a senior official of Mozambique’s Renamo opposition party was shot dead by unidentified gunmen while exercising on Maputo beach. Pondeca was a member of the Council of State, an advisory body to the president, had been a Member of Parliament from 1995 to 2004, and, crucially, was a member of the Joint Commission set up to find

solutions to the stand-off between the government and the Renamo opposition. As his murder came days before the commission was due to resume its work, this threw the future of the commission into doubt.³⁴

On 4 October 2017, the mayor of Nampula, Mahamudo Amurane, was shot dead in Nampula. As was the case in previous hits, the gunmen remain unnamed to this day. As mayor, Amurane had focused on fighting corruption in the city’s administration.³⁵

On 27 March 2018, unknown assailants kidnapped prominent Mozambican journalist and human-rights activist Ericino de Salema in Maputo as he left the premises of the National Union of Journalists. He was left unconscious, and with a broken arm and leg on the Maputo ring road. He had reportedly received threatening phone calls the previous day.³⁶ Salema, like Macuane, was a regular guest on *Pontos de Vista*, during which he often took positions critical of government policy. On the Sunday before the attack, he had criticized during the TV show the government’s attempts to re-structure illegal debts contracted under the previous government and called for the resignation of Finance Minister Adriano Maleiane.³⁷

In 2018, the former head of the Frelimo branch in Chokwe district, Gaza province, Nelson Ezequias Pelembe, was found dead in Xai-Xai. He had

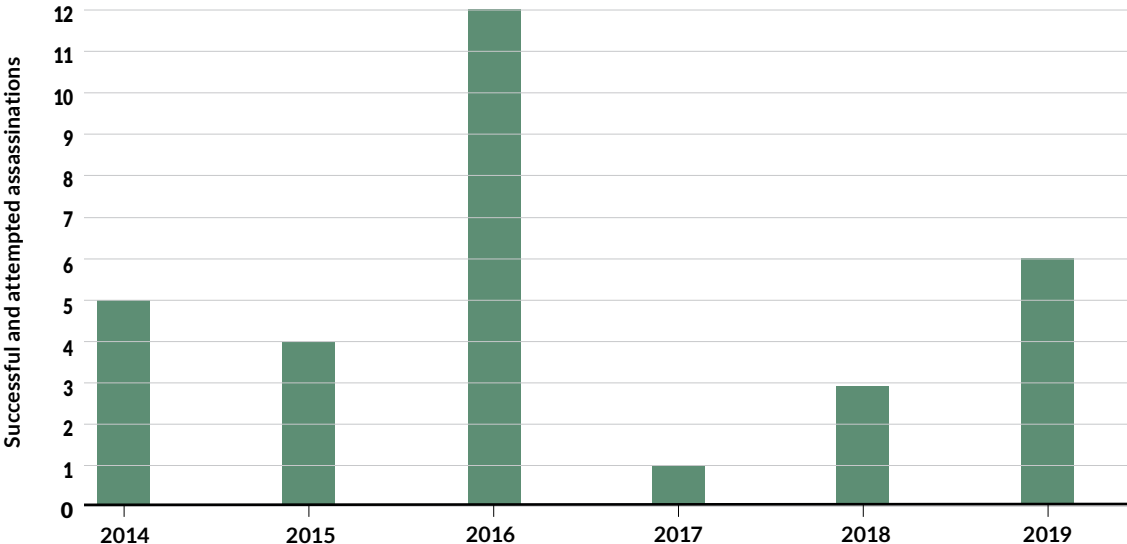


FIGURE 5 *Fluctuations in assassinations in Mozambique, 2014-2019*

Note: The data presented here is preliminary; GI-TOC is in the process of creating an Assassinations Witness database for Mozambique using our standardized methodology.

disappeared after leaving Chokwe to travel to Maputo, leading some of his allies to speculate that he had fled to the Kenyan embassy in South Africa to seek asylum. Months later, Pelembe's body was found inside the morgue of the provincial hospital of Gaza, in Xai-Xai.³⁸ Little information has come to light about his death, but interviews suggest that Pelembe was involved in disputes with other Frelimo members, including the mayor of Chokwe, Lidia Cossa.³⁹

On 11 November 2019, Carvalho Carlos Ecole, a professor at the Eduardo Mondlane University and a researcher at the Institute for Agronomic Research, was abducted by unidentified individuals and found dead three days later on Macaneta beach, Marracuene district, 25 kilometres from Maputo. His family posted a statement on social media saying, 'Thank you to all who supported our appeal to help our family ... Unfortunately, this is the choice: join the corruption dance or be honest and die earlier.' Graça Machel, Samora Machel's

widow, and former first lady of both South Africa and Mozambique, sent a message to the family: 'There is a special place in the heart of those who recognize and value a fair and honest man, who has done everything for his country. I didn't know your husband and father. But he's my hero too.'

These killings all share the same hallmarks: they all targeted government critics, members of civil society or officials in conflict with the vested interests of powerful state figures; they were carried out in an attempt to silence dissent, political opposition or reform. In all these cases, the police response has been to state that investigations are under way, but with no evidence then emerging. Although the full landscape of assassinations in Mozambique will undoubtedly include some linked to criminal interests, it seems probable that the majority of these hits by 'death squads' have been instigated by political figures, as seen in the assassination of Anastácio Matavel.

4. Kenya's ill-regulated mass transit industry provides a convenient way of 'cleaning' dirty money – and it appears various corrupt interests would like to keep it that way.

The arrest in October 2019 of Rose Musanda Monyani, owner of five passenger buses (known in Kenya as *matatus*), and her appearance in court in Nairobi on narcotics charges and related money laundering,⁴⁰ have exposed a major avenue being used to cleanse proceeds of crime in Kenya. During investigations, police recovered KSh25 million in cash (equivalent to US\$250 000) and an 'unknown substance' that contained 40% heroin in her house in Kinoo, Nairobi. Officials from the Assets Recovery Agency claim Monyani has not been able to provide a reasonable explanation for the source of her wealth.

In the past, in Kenya, proceeds of crime have been laundered mainly through real estate, betting companies, nightclubs, religious outfits, hawalar (an informal money-exchange system) and political campaigns. However, *matatus* – vans and minibuses that offer affordable public passenger transport for millions of travellers, especially commuters – have not been a focus for investigators. The reason for this omission lies in the highly informal nature of the sector, and the presence in the industry of politically influential figures who resist attempts to regulate it.

While the Kenyan media has identified links between the *matatu* industry and money laundering for some years, highlighting the cash-based nature and weak regulation of the sector as its key vulnerabilities,⁴¹ authorities have not previously taken action. According to one official in the Directorate of Criminal Investigations (DCI) in Nairobi, 'We have all along suspected that *matatus* are central in money laundering, but we have had no clear case to work on in the past. We stumbled on this one [the Monyani case] by coincidence. It was the first case of its kind, and now our antennae are up. I think this is a big story building up: the *matatu* business is huge in this country and criminals could be taking advantage of its informal nature to launder large sums of money.'⁴²

The *matatu* sector is central to Kenya's economic well-being. Although reliable estimates of the value of the sector are unavailable due to its informal nature, government reports indicate that hundreds of thousands are employed in the industry: from drivers and conductors to callers (those who entice passengers to board vehicles) and operators (*matatu* owners). As Figure 6 shows, *matatus* provide the main means by which Kenya's urban population travel, and are a key source of

mobility in large cities, such as Nairobi, which have not been planned with pedestrians in mind.⁴³ The *matatu* industry is both a major employer in its own right and a facilitator of Kenya's urban economy.

However, at the same time, there are a range of other informal beneficiaries who exploit the profits generated by the *matatu* sector and who, in the final analysis, terrorize the business by increasing costs while discouraging fair competition. These include corrupt traffic police and judicial officers, criminal gangs who control *matatu* terminals and extort the business, gangs who control particular *matatu* routes, as well as criminal and political figures embedded in the industry. An investigation by the *Daily Nation* newspaper estimated that the industry loses, on average, KSh47 billion annually to this kind of extortion (equivalent to around US\$470 million).⁴⁴

MONEY-LAUNDERING CHANNELS IN THE MATATU INDUSTRY

From our interviews with representatives of the DCI in Nairobi, there are four main routes through which money is laundered into the *matatu* sector:⁴⁵

First, some drug-trafficking figures started off as *matatu* drivers, and then seized the opportunity to develop drug-trafficking networks, by bringing their passengers, other players in the sector and corrupt police officers into their networks. They then expand their networks to draw in influential people, including politicians by funding their elections campaigns. They turn back to *matatus* as their key avenue for laundering their proceeds once they become established in the drugs market. Other avenues include real estate, haulage transport, and clearing and forwarding companies.

Secondly, criminal actors who have made their money elsewhere seize the opportunity offered by the lack of regulation to invest in the *matatu* industry. The vulnerability of the industry is obvious to those outside due to its chaotic nature, the lack of regulatory control over routes and fares, the sheer number of protection rackets that operate in the industry, and its reliance on cash payments.

Thirdly, corrupt police officers, especially traffic police, recycle money extorted from *matatu* businesses back into the industry, either personally or through proxies. A proportion of *matatus* in Kenya are owned or part-

owned by police officers, creating a clear conflict of interest. President Uhuru Kenyatta issued a decree earlier this year compelling traffic police to choose either law enforcement or the *matatu* business.⁴⁶ This is the latest move after government bodies have, for several years, highlighted the issues inherent in police involvement in the sector and the harassment by police of *matatu* businesses in competition with their own business interests.⁴⁷

Finally, gang members and *matatu* cartels – terminal-controlling gangs, route controllers and protectors – extort from small-time *matatu* operators, venture into the highly paying but risky narcotics businesses, and then invest the proceeds back into the *matatu* sector.

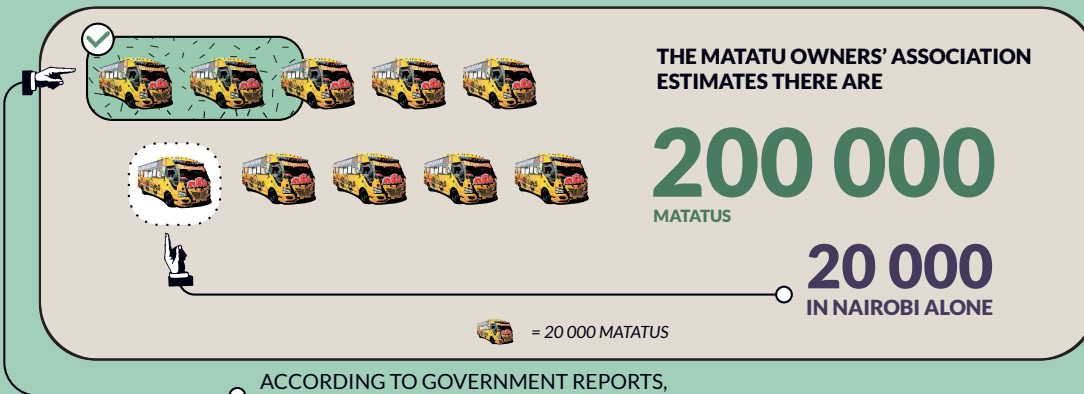
WHY THE MATATU INDUSTRY IS VULNERABLE TO EXPLOITATION

As shown by the number of routes through which illicit funds are channelled through the *matatu* industry, it is proving to be a magnet for criminal actors and money launderers, particularly those connected to narcotics. There are several key reasons for this. Firstly, the industry is subject to very little regulation: the National Transport and Safety Authority (NTSA) – the state agency charged with overseeing and regulating the sector – is even uncertain about the total number of *matatus* on the Kenyan roads. Depending on the source, figures vary from slightly above 45 000 to a million.⁴⁸ The entry requirements for potential investors are also low: the only requisite is that a vehicle meets certain minimum standards⁴⁹ and that the owner has a public service vehicle licence.

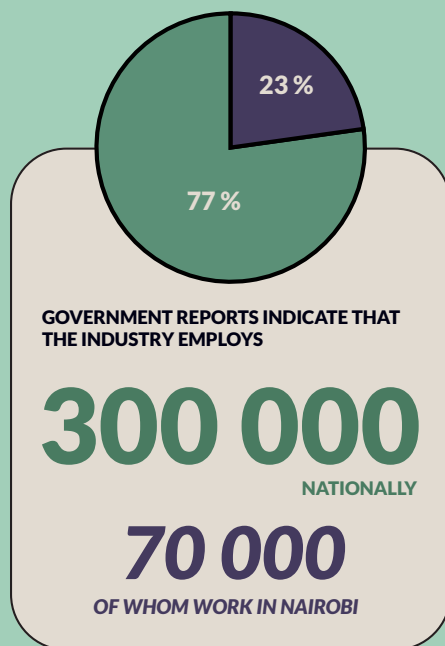
Criminal interests in the sector undermine regulatory institutions in various ways. Extortion in its various forms has led to fare increases. The involvement of police officers – either as operators or protectors – has encouraged law breaking in the industry. The Matatu Owners' Association claims that cartels eat away at their profits: 'We are left with the major expenses, such as insurance and repairs, while the bulk of the harvest is scattered across the extortion ring,' said MOA chairperson Simon Kimutai in January 2017.⁵⁰

Powerful vested interests also push back against efforts to regulate the *matatu* sector more stringently. The most influential operators (i.e. politicians, law-enforcement officers and wealthy businesspeople) are able to allocate

MATATU



ACCORDING TO GOVERNMENT REPORTS, ONLY 44 676 MATATUS ARE LICENSED TO OPERATE IN KENYA

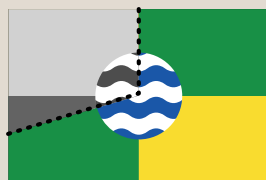
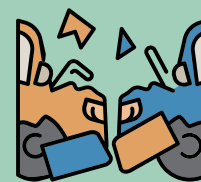


MORE THAN

90%

OF FATAL TRAFFIC ACCIDENTS IN KENYA INVOLVE MATATUS

Poor regulation and corruption are closely linked to the use of unroadworthy vehicles and bad driving.



ABOUT 70% OF NAIROBI'S 4.4 MILLION POPULATION RELY ON MATATUS FOR TRANSPORT

FIGURE 6 Kenya's matatu industry unpacked

themselves the most profitable routes at the expense of regular *matatu* owners, and against the wishes of the NTSA. Every move to regulate the sector would appear to be for self-gain, to either benefit powerful bureaucrats and politicians or aid wealthy *matatu* owners to crowd out weak ones. For example, an attempt by the authorities in 2014 to introduce a cashless payment system for *matatu* users, which would have increased accountability and transparency in the industry, was unsuccessful.⁵¹ As noted at the time by prominent

Kenyan economist David Ndi, the system was resisted by those who had 'vested interests in a cash business, notably the money-laundering syndicates and the police extortion cartel'.⁵²

There seems to be a recurring cycle, whereby corruption, political influence and criminality weaken regulatory control of this vital industry, which, in turn, makes it a more attractive money-laundering opportunity for other criminal actors.

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