

## Kenya's finance minister quits in corruption scandal

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By Fredrik Dahl and David Mageria – Reuters UK

NAIROBI (Reuters) - Kenya's Finance Minister David Mwiraria resigned on Wednesday alleging he had been wrongly linked to a multi-million dollar corruption scandal that has rocked the government and infuriated Western donors.

The 67-year-old friend of President Mwai Kibaki -- who has run east Africa's largest economy for the last three years -- is the first official to step down over revelations about the "Anglo Leasing" scam in which contracts went to a phantom firm.

"In order that my name be cleared and to protect the integrity of the president, the government and our country Kenya, I hereby voluntarily step aside," Mwiraria said in a letter to Kibaki that he read to media.

Mwiraria was one of four senior figures accused in recent days by Kenya's former anti-corruption chief John Githongo.

Documents released by Githongo from Britain, where he now lives after resigning and leaving Kenya last year, linked the four and various junior officials to tenders worth around \$200 million (112 million pounds), according to local media.

Mwiraria, who has been credited with overseeing a turnaround in the economy after decades of decline, was accused of knowing about some of the contracts and participating in a cover-up.

"The allegations made against me ... which have cast serious aspersions on my character and integrity, have deeply disturbed me," he said in the letter. "My conscience is clear."

As well as Mwiraria, Githongo has named Vice-President Moody Awori, Energy Minister Kiraitu Murungi and recently sacked Transport Minister Chris Murungaru.

The four are wanted for questioning by anti-corruption authorities. All have proclaimed their innocence, but the two serving ministers will now be under pressure to also resign.

"This is the first brick to be pulled out of the wall and it makes it very difficult for the remaining senior members of the government mentioned in the Githongo dossier to survive," British-based Africa analyst Patrick Smith said.

Separately on Wednesday, Murungaru's lawyers asked a court to block anti-graft investigators from taking action against him on the grounds that it would violate his constitutional rights.

KIBAKI UNDER PRESSURE

Foreign donors are closely monitoring the saga, a huge embarrassment to Kibaki, who swept to power in 2002 promising to wipe out the rampant corruption that blighted the nation of 32 million people under his predecessor, Daniel arap Moi.

One senior western diplomat said he was encouraged that Mwiraria had taken political responsibility over the affair.

But the envoy added: "It is too little, too late and more has to be done. These problems are not just about one person -- it is about many people, the system, culture and attitudes."

The scandal and the loss of Mwiraria are the latest blows to Kibaki, after a humiliating defeat in a November referendum on a new constitution and a drought that has left millions hungry.

Opposition leaders had been calling daily for the ministers named to quit and there have been some calls for Kibaki, 74, to dissolve the government or step down himself.

"I think the resignation of the minister is an admission of the high-level corruption in the government," shadow finance minister Billow Kerrow told Reuters.

Long before the latest revelations, Kenyans have been listing corruption as one of their chief concerns in a nation where many live on less than a dollar a day.

Under the Anglo Leasing scandal, government money was paid to a shadowy foreign company for services supposedly including forgery-proof passports, navy ships and forensic laboratories.

The money came back when the affair became public.

The cash payments for Anglo Leasing -- and another scandal known as "Goldenberg" in which Kenya lost \$1 billion in state money through bogus gold and diamond exports -- started under Moi. Anglo Leasing payments continued under Kibaki.

Kenyan markets hardly moved on the news, with dealers saying they were still absorbing its implications. "His departure ... adds to the economic problems that we are experiencing," said John Wanyela, executive director of Kenya's Bankers Association.

(Additional reporting by George Obulutsa, Katie Nguyen and Wangui Kanina)