

THE IMPACT OF THE WHOLE-OF-GOVERNMENT APPROACH IN COMBATING FINANCIAL CRIMES IN KENYA: A CASE STUDY OF FINANCIAL REPORTING CENTER

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Abstract

This study explored the impact of the whole-of-government approach in combating financial crimes in Kenya by focusing on the Financial Reporting Center (FRC) as a case study. A sequential explanatory mixed methods research design was used. The target population was the officers working in the FRC such as Officers from the Directorate of Criminal Investigation (DCI), Economic and Anti-Corruption Commission (EACC) as well as representatives from the Central Bank of Kenya (CBK) and the Kenya Revenue Authority (KRA) to explore monitoring and enforcement roles. Total population sampling/complete enumeration sampling was used to select all the officers who were 73 in total. Purposive sampling was used to select the heads of the sections i.e. DCI, EACC, CBK, and KRA. The questionnaire used was researcher-administered. A structured questionnaire was used to obtain information from the officers while interview schedule guides were used to obtain information from the heads of the sections in the center. Hypotheses were tested using Pearson's Correlation Coefficient (r) at $\alpha = 0.05$ level of significance. The results obtained from Nairobi County reveal varying impacts of key factors in combating financial crimes in Kenya. Intelligence sharing shows a weak positive correlation ($r = 0.393$), hindered by mistrust, lack of standardized frameworks, and technological disparities. Harmonizing regulations exhibits a very weak positive correlation ($r = 0.227$), limited by institutional silos, conflicting mandates, and inconsistent frameworks. Conversely, integrating technological tools demonstrates a strong positive correlation ($r = 0.817$), emphasizing the importance of advanced systems for enforcement. Coordinating enforcement actions also shows a strong correlation ($r = 0.684$), underscoring the need for inter-agency collaboration. Addressing issues like institutional competition, resource constraints, and systemic barriers are crucial to strengthening intelligence-sharing and harmonizing regulations, key components in curbing financial crimes effectively.

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1.0 Introduction

The whole-of-government approach to combating financial crimes has become a significant global concern in recent decades [1]. Financial crimes, including money laundering, fraud, tax evasion, corruption, and the financing of terrorism, have profound impacts on nations' economic stability and governance [2]. The complexity and scale of these crimes require a coordinated, multi-disciplinary effort, with collaboration between various government agencies, law enforcement, regulatory bodies, and other relevant stakeholder [3]. While the response to financial crimes is often fragmented, a whole of government approach aims to integrate the efforts of all relevant institutions, ensuring that resources and information are effectively pooled together to address these challenges [4].

Globally, one notable example of a whole-of-government approach is the United States. The U.S. has established various frameworks that reflect the integration of different government agencies in combating financial crimes. One of the most prominent initiatives is the Financial Crimes Enforcement Network (FinCEN), which serves as the primary agency for collecting, analyzing, and disseminating financial intelligence to combat money laundering, terrorist financing, and other illicit financial activities [5]. This network operates within the U.S. Department of the Treasury but collaborates closely with other agencies such as the Federal Bureau of Investigation (FBI), the Internal Revenue Service (IRS), and the U.S. Department of Justice (DOJ). The U.S. also relies on the collaborative efforts of financial institutions, including banks, credit unions, and insurance companies, to ensure that suspicious financial activities are reported and investigated [2]. The cross-agency coordination and information-sharing mechanisms embedded within the FinCEN framework demonstrate how a whole-of-government approach can facilitate a comprehensive strategy to address financial crimes.

In addition to this, the U.S. has implemented the Bank Secrecy Act (BSA) and the USA PATRIOT Act, which lay down the legal and regulatory framework for combating financial crimes. These laws require financial institutions to establish anti-money laundering (AML) and counter-terrorism financing (CTF) measures and to work in conjunction with government agencies to detect and report suspicious activities [6]. The whole-of-government approach in the U.S. extends beyond enforcement and regulation into policy development and international collaboration. For example, the U.S. has led several global initiatives through the Financial Action Task Force (FATF), an inter-governmental body that promotes policies aimed at combating money laundering and terrorist financing across the world [7]. The U.S.'s whole-of-government approach to financial crimes is supported by an extensive legal framework and the active participation of multiple government departments, showing the importance of integrated efforts in tackling financial criminal activity [8].

Regionally, one of the most relevant case studies is South Africa. As the second-largest economy in Africa, South Africa has faced significant challenges related to financial crimes, including corruption, tax evasion, and money laundering [9]. In response, the country adopted a whole-of-government approach to combat these issues, starting with the establishment of the Financial Intelligence Centre (FIC) in 2003. The FIC, a division of the South African government, plays a crucial role in gathering and analyzing financial intelligence to detect and prevent illicit financial flows. The FIC works closely with other key institutions, such as the South African Police Service (SAPS), the South African Revenue Service (SARS), and the South African Reserve Bank (SARB), to ensure that financial crimes are investigated and prosecuted efficiently [10].

The government of South Africa has also implemented a robust legislative framework to support its efforts in combating financial crimes. The Financial Intelligence Centre Act (FICA) and the Prevention of Organized Crime Act (POCA) form the backbone of the country's anti-money laundering and anti-corruption strategies [6]. These acts create a legal mandate for financial institutions to report suspicious transactions to the FIC and establish inter-agency collaboration mechanisms to investigate financial crimes. South Africa's approach reflects a growing recognition of the need for regulatory consistency, inter-agency coordination, and intelligence sharing to combat financial crimes. The country also participates actively in regional and international efforts

to combat illicit financial flows, such as through the Southern African Development Community (SADC) and the FATF. However, South Africa's whole-of-government approach has challenges [11], [12]. The country has faced difficulties in ensuring effective coordination between different agencies and achieving greater synergy in their operations. Institutional silos, lack of trust between agencies, and the politicization of law enforcement have often hampered efforts to tackle financial crimes. For instance, despite having a comprehensive legal and regulatory framework, the slow pace of prosecutions and weak enforcement of financial crime laws have been cited as areas requiring significant improvement. Nevertheless, South Africa's experience highlights the importance of continued reform in coordinating government agencies, the need for greater transparency, and the importance of fostering trust among institutions involved in combating financial crimes [9].

At the national level in Kenya, financial crimes have become a growing concern for the government, particularly concerning corruption, money laundering, tax evasion, and the financing of terrorism. These issues have contributed to the erosion of public trust in the government and hindered economic development [13]. As part of its response, the Kenyan government has adopted a whole-of-government approach, recognizing the importance of coordinated efforts in addressing the multifaceted nature of financial crimes. Various institutions, such as the Directorate of Criminal Investigations (DCI), the Ethics and Anti-Corruption Commission (EACC), the Central Bank of Kenya (CBK), the Kenya Revenue Authority (KRA), and the Financial Reporting Centre (FRC), play significant roles in this fight. These agencies work together, sharing intelligence and resources to combat financial crimes and ensure the integrity of Kenya's financial system. Kenya has also made significant strides in harmonizing its regulatory framework to address financial crimes. The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), the Anti-Terrorism Act, and the Kenya Anti-Corruption and Economic Crimes Act have been crucial in the development of a legal and regulatory framework aimed at combating illicit financial activities. However, the implementation of these laws has faced significant challenges, including gaps in enforcement, lack of inter-agency coordination, and insufficient resources to monitor and investigate financial crimes effectively. Despite these challenges, the Kenyan government has made progress by establishing specialized units, such as the Financial Reporting Centre (FRC), which is responsible for receiving and analyzing suspicious financial activities and intelligence reports [4].

2.0 Statement of the Problem

In Kenya, intelligence sharing remains a critical component of the whole-of-government approach. However, the process has been hindered by issues such as institutional mistrust, lack of standardized protocols for sharing intelligence, and a technological gap between agencies. The sharing of intelligence is critical in detecting and preventing financial crimes, as financial criminals often exploit cross-border opportunities and complex financial systems. Agencies such as the FRC, the CBK, and the KRA must collaborate effectively to track illicit financial flows, disrupt money laundering schemes, and prevent corruption [14]. While strides have been made to integrate these efforts, much work remains in fostering better coordination and developing robust technological systems to facilitate real-time information sharing. The Kenyan government has also recognized the importance of integrating technological tools into its strategy for combating financial crimes [15]. The adoption of advanced data analytics, machine learning, and blockchain technology can help institutions detect patterns of financial crime, identify suspicious transactions, and enhance overall surveillance and monitoring. However, many government agencies still face resource constraints and lack the necessary technical expertise to fully utilize these technologies. A significant barrier to the integration of technological tools lies in the disparities between agencies, where some are well-equipped while others remain under-resourced, creating inefficiencies in the system [13] [16].

This is the nexus that necessitated the study of the whole-of-government approach in combating financial crimes in Kenya. Whereas regulatory frameworks have been put in place, gaps identified for implementation, lack of coordination among agencies, and the slow adoption of technology continue to impede the progress. As such, the study seeks to examine critical aspects

of this approach, focusing on intelligence sharing, harmonizing regulations, coordinating enforcement actions, and integrating technological tools. Kenya could strengthen its efforts in combating financial crimes, and enhance its ability to disrupt illicit financial networks, protect public resources, and foster a more transparent, and accountable financial system if it addresses the above issues. The objectives of the study, therefore, center on understanding the barriers to effective intelligence sharing, regulatory harmonization, coordination of enforcement, and the integration of technology in the fight against financial crimes in Kenya.

3.0 Purpose and objectives of the study

The study aimed to determine the impact of whole-of-government approach in combating financial crimes in Kenya: A case study of the Financial Reporting Center

3.1 The following objectives guided the study

To establish the impact of intelligence sharing in combating financial crimes in Kenya.

To determine the impact of harmonizing regulations in combating financial crimes in Kenya.

3.2 Research Hypotheses

H₀₁ There is no statistically significant impact of intelligence sharing in combating financial crimes in Kenya.

H₀₂ There is no statistically significant impact of harmonizing regulations in combating financial crimes in Kenya

4.0 Conceptual Framework

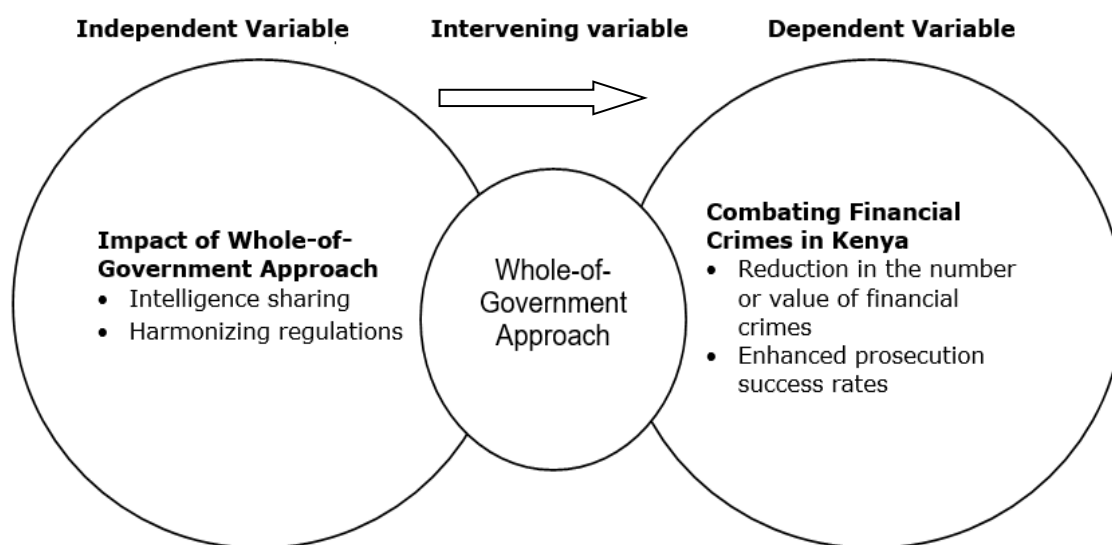


Figure 1: Conceptual Framework

The conceptual framework illustrates the relationship between the independent variable, which is the Whole-of-Government Approach and the dependent variable, which is combating Financial Crimes in Kenya. The framework identifies two key components of the Whole-of-Government Approach: intelligence sharing, and harmonizing regulations. These primary strategies are expected to influence the efforts in combating financial crimes. On the dependent side, combating financial crimes is measured by the reduction in the number or value of financial crimes, enhanced prosecution success rates, improved recovery of illicit funds, and a greater public perception of improved financial crime management. This framework suggests that the

effective implementation of these strategies (intelligence sharing, harmonized regulations, coordinated actions, and technological integration) will lead to better financial crime outcomes in Kenya. The goal is to improve enforcement and prosecution, reduce crime, and recover illicit funds

5.0 Methodology

The study used mixed methods research design, sequential explanatory research design was employed in this study which involves analyzing quantitative data first before using qualitative data to explain the findings. The study was conducted in Nairobi County- Kenya. The target population was the officers working in the FRC such as Officers from the Directorate of Criminal Investigation (DCI), Economic and Anti-Corruption Commission (EACC) as well as representatives from the Central Bank of Kenya (CBK) and the Kenya Revenue Authority (KRA) to explore monitoring and enforcement roles. Total population sampling/complete enumeration sampling was used to select all the officers who were 73 in total. Total population sample involves where the researcher elects to use the entire population for the study. Purposive sampling was used to select the heads of the sections i.e. DCI, EACC, CBK and KRA. The questionnaire used was researcher-administered. A structured questionnaire was used to obtain information from the officers while interview schedule guides were used to obtain information from the heads of the sections in the center. The questionnaire was administered to all the 73 officers. The questionnaire contained 4 items (indicators of whole-of-government approach) and 4 items (indicators of combating financial crimes). The officers were asked whether or not they agreed with the statements under each indicator by ticking Strongly Disagree, Disagree, Not Sure, Agree, and Strongly Agree in the boxes that were provided. Pearsons's correlation coefficient was used to determine the strength and direction of the relationship between two variables i.e. independent and dependent variables in each objective. Pearsons's correlation coefficient is the most effective method for assessing associations due to its reliance on covariance. Content validity of the instruments, that is, questionnaires were given to experts from the Faculty of International and European studies for validation after which corrections were made where necessary.

Reliability is the degree to which findings can be reproduced by another researcher or other researchers[13]. Reliability of the questionnaires were pilot tested and internal consistency gauged. To test the internal consistency of the items listed on the questionnaires, the researcher used the Cronbach's Alpha Coefficient. Cronbach's Alpha is a statistical coefficient that is used to rate the reliability of an instrument. The questionnaires were pilot tested at one children allied organization in Kericho County. Ten (10) questionnaires were given to the members working with the organization. A correlation coefficient of 0.782 was obtained and this was considered acceptable[13].

6.0 Results

6.1 Respondents Demographics

6.1.1 Years of Experience

The table presents the distribution of officers working at the Financial Reporting Centre (FRC) in Kenya, tasked with curbing financial crimes, based on their years of experience. Officers with 0-5 years of experience constitute 15.1% of the workforce, representing a small but significant segment likely made up of junior recruits or newer entrants to the field. This group reflects the organization's effort to bring in fresh talent and expand its human resource base. Those with 6-10 years of experience account for 35.6% of the staff, forming a substantial part of the mid-career professionals. This group is likely to have acquired considerable on-the-job experience and knowledge of financial crime detection and prevention, making them crucial for the FRC's operational efficiency. The largest proportion, 39.7%, consists of officers with 11-15 years of experience. These individuals are likely highly experienced and may hold key roles that require advanced expertise and decision-making skills. Officers with more than 15 years of experience make up 9.6% of the workforce, representing the most seasoned professionals who may occupy senior leadership or specialized positions within the organization. The results imply that the FRC

benefits from a well-rounded team with a significant number of experienced professionals, which is essential for tackling complex financial crimes. However, the relatively small percentage of staff with over 15 years of experience highlights a potential gap in senior-level expertise or leadership succession planning. Conversely, the presence of newer staff suggests an opportunity for the organization to train and develop future leaders. This distribution underscores the importance of maintaining a balanced workforce by leveraging the expertise of senior staff while building the capacity of less experienced officers to sustain long-term organizational effectiveness in combating financial crimes. The information is as shown in Table 1 and Figure 2 below.

Table 1: Years of Experience

		Frequency	Percent
Year	0-5 Years	11	15.1
	6-10 Years	26	35.6
	11-15 Years	29	39.7
	Above 15	7	9.6
	Total	73	100.0

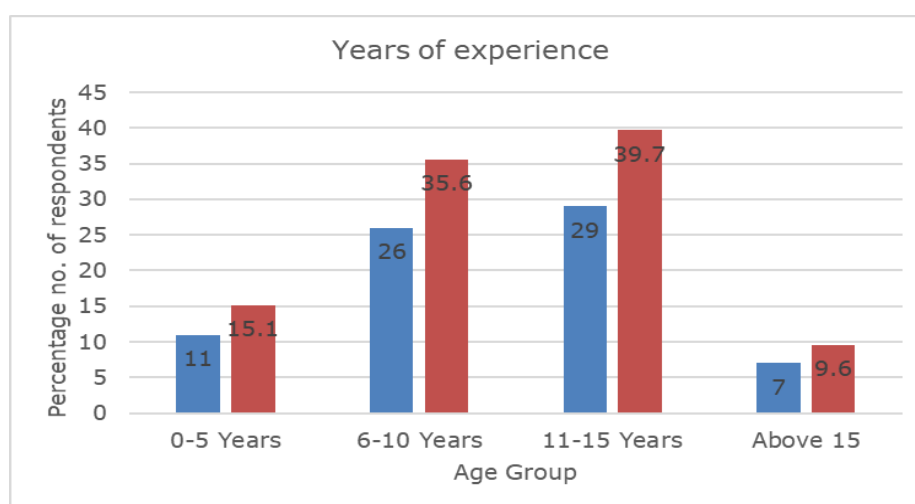


Figure 2. Years of experience

6.1.2 Educational Level of Respondents

The table provides an overview of the educational qualifications of officers working at the Financial Reporting Centre (FRC) in Kenya, tasked with combating financial crimes. It shows that 42.5% of the officers possess college-level education, indicating a significant proportion of the workforce with foundational knowledge and technical skills relevant to their roles. On the other hand, 57.5% of the officers have attained university-level education, suggesting a majority of the staff have advanced qualifications that may contribute to a deeper understanding of complex financial systems and crimes. The results suggest that the FRC has a workforce with a balanced mix of educational backgrounds, enabling the organization to leverage diverse perspectives and skills in addressing financial crimes. The higher percentage of university-educated officers implies a robust intellectual base for analytical tasks, policy formulation, and decision-making processes. Meanwhile, the significant representation of college-educated staff highlights the importance of practical, technical expertise in the operational aspects of financial crime prevention. This distribution underscores the importance of continuous professional development to enhance the knowledge and skills of all officers, regardless of their educational level. The FRC could benefit from targeted training programs to bridge any gaps in knowledge or expertise, ensuring that both college and university-educated staff can contribute effectively to its mandate. Furthermore, the predominance of university-educated personnel reflects a capacity for high-level problem-solving

and strategic planning, which is crucial in addressing the evolving complexities of financial crimes. The information is as shown in Table 2 and Figure 3.

Table 2. Educational Background of the Respondents

		Frequency	Percent
Type of education	College	31	42.5
	University	42	57.5
	Total	73	100.0

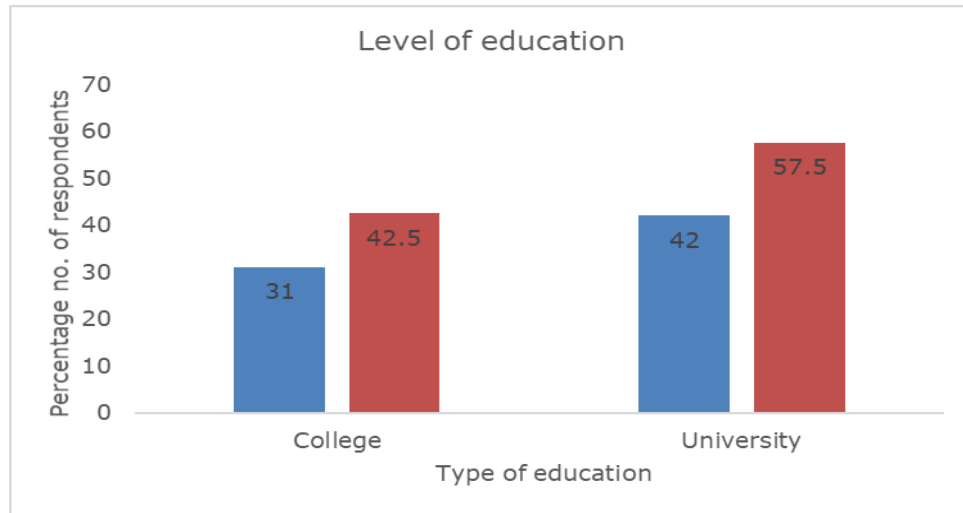


Figure 2: Educational Background of the Respondents

The following questions and hypotheses were answered and tested respectively:

Table 3

There is no statistically significant impact of intelligence sharing in combating financial crimes in Kenya.

Area of Study	Intelligence Sharing	Combating Financial Crimes	Pearson Correlation Coefficient Value	Sig. (2-tailed)
Nairobi County			.393*	.037

* - Means significant at 5% level

Pearson's Correlation Coefficient (r) of the variables i.e., intelligence sharing and combating financial crimes is .393 and a significant level of .037 which is less than .05. This means that there is a statistically significant impact of intelligence sharing in combating financial crimes in Kenya. The coefficient (r) is a weak positive correlation which means that as intelligence sharing increase so does combating financial crimes. Thus, the null hypothesis was rejected.

Table 4

There is no statistically significant impact of harmonizing regulations in combating financial crimes in Kenya.

Area of Study	Harmonizing Regulation	Combating Financial Crimes	Pearson Correlation Coefficient Value	Sig. (2-tailed)

Nairobi County	.227*	.049
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* - Means significant at 5% level

Pearson's Correlation Coefficient (r) of the variables i.e., harmonizing regulation and combating financial crimes is .227 and a significant level of .049 which is less than .05. This means that there is a statistically significant impact of intelligence sharing in combating financial crimes in Kenya. The coefficient (r) is a very weak positive correlation which means that as harmonizing regulations increase so does combating financial crimes. Thus, the null hypothesis was rejected.

7.0 CONCLUSIONS

The statistically significant but very weak positive effect of intelligence sharing in combating financial crimes calls to attention the existing systemic challenges in the form of a lack of trust between counterparty stakeholders, inadequate communication channels, and institutional silos that create impediments to smooth joint operations. Moreover, harmonizing regulations correlates very poorly with attacking financial crime, largely due to disjointed implementation, divergent mandates among supervisory authorities, and uneven treatment of policy interpretation and enforcement employed by different jurisdictions. Together, these limits dilute the intensity of financial crime busters

8.0 RECOMMENDATIONS

To overcome these ongoing hurdles, measures of trust building, including inter-agency agreements, standardized communication protocols, and robust accountability frameworks should be established to enhance the efficiency and effectiveness of sharing that intelligence. Furthermore, the need is great to unify ideas in their entirety and create a regulatory governing framework that would fit right across the sectors, align priorities, ensure consistency in policy implementation, and fill the existing gaps in enforcement and monitoring mechanisms. The approach should be unified by mechanisms of regular review, stakeholder consultations, and capacity-building initiatives aimed at the sustainability of efforts in the fight of financial crimes inclusive of all stakeholders.

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